

MASS. CD 10.2: M382

MASSACHUSETTS DEPARTMENT OF COMMUNITY AFFAIRS
1974 REPORT ON HOUSING POLICIES AND PROGRAMS



SUMMARY OF THE RESEARCH

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Housing Need

The analysis of housing needs identifies the gap between the supply and demand of housing computed with data from the April 1970 census, computed for every city and town in the Commonwealth. The demand for housing was identified by monthly rent paying ability and by bedroom size requirements for every household identified in the 1970 census. Rent paying ability is defined to be 25 percent of net income and bedroom size requirement is determined by family size and sex composition of the family.

The supply of housing was identified by monthly rent level and bedroom size for all standard units. The census definition of substandardness was adjusted upward from 50,000 units to 176,800 units, due to the poor 1970 census definition of substandard units which only counted units with inadequate plumbing as substandard.

A match was sought for all families or elderly households with under \$10,000 net income with standard units with the households required numbers of bedrooms and at a rent level not in excess of 25 percent of the households net income. Those households that could not be matched with an appropriate unit either (1) did not have enough rent paying ability to buy a standard unit at their bedroom size requirement or (2) no standard unit existed for the household. The households in the first group need housing assistance in the form of a rent or mortgage supplement which reduces their monthly housing to 25 percent of net income (demand

side program) and the households in the second group require housing assistance in the form of new construction or rehabilitation of a previously substandard unit with enough subsidy assistance so that the rent level will not exceed 25 percent of the households net income (supply side program).

Non-elderly supply side need for every city and town was put in an allocatable pool for every regional planning district and redistributed among the cities and towns of the region. Each city and town in the region was given an index based on four factors (1) number of low and moderate income jobs in that city or town and contiguous cities and towns, (2) the local housing need, (3) fiscal capacity of the city or town and (4) growth in the number of low and moderate income jobs. The housing units in the allocatable pool was multiplied by each city or towns index. Generally the result of this allocation process was that the larger urban areas lost units and non-urban areas gained units.

The housing need was computed for every city and town in the state and was aggregated by regional planning district. Housing effort from April 1970 through December 31, 1972 for each regional planning district was subtracted from the April 1970 housing need. This housing effort April 1970 through December 31, 1972 only reduced the housing need by 13 percent.

The results of the study indicated that the housing need remaining as of January 1, 1974 was approximately 400,000 housing units with 71 percent for households that need rent or mortgage supplements and 29 percent for new construction or rehabilitation;

86.0 percent for low income households and 14.0 percent for moderate income households; and 56 percent for non-elderly households and 44 percent for elderly.

Past Performance of Government Housing Programs

Comparing the findings of this study to the State and Federal governments housing program commitments during FY 72 and FY 73 indicates that the wrong type of programs have been emphasized. Only 6.7 percent of the units committed were for rent or mortgage supplements and 93.3 percent were committed for new construction or rehabilitation; 51.9 percent of the units were committed for low income units and 48.1 percent of the units were committed for moderate income units; and 63.5 percent of the units were committed to non-elderly households and 36.5 percent of the units were committed to elderly households.

Projected Future Performance of Government Housing Programs

Projecting the State and Federal governments ability to respond to the housing needs indicated in this analysis is quite dismal. It is projected that state programs could realistically commit about 34,600 units during FY 74 through FY 79. FY 76 is the first fiscal year that the programatic split of the state programs could respond to the findings of the housing need study.

Federal and Combined State and Federal programs are estimated to commit 23,335 units during FY 74 and FY 75. Projections for Federal and Combined State and Federal programs beyond FY 75 are not possible to determine due to large degree of uncertainty and lack of information since the Federal housing moratorium.

State projected FY 74 through FY 76 housing commitments and Federal and Combined State and Federal housing commitments during FY 74 and FY 75 reduces the December 1972 remaining housing need by only 14 percent.

Allocations and Housing Planning

The findings of this study will be used to determine the areas of the Commonwealth that the limited housing resources that are available should be committed. D.C.A. has been meeting with the Regional Planning Agencies in the Commonwealth, H.U.D. and M.H.F.A. for the past six months to determine how to distribute the projected housing resources among the thirteen regional planning districts. With the advice of this group D.C.A. will determine the number of units to be committed to each regional planning district for the housing planning period FY 75 through FY 79. The regional planning agencies will identify priority housing need cities and towns or groups of cities and towns within each regional planning district and D.C.A. will attempt to commit units in these cities and towns.

It is expected that both H.U.D. and M.H.F.A. will participate with D.C.A. in this method of allocating funds during the housing planning period.

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RECOMMENDATIONS

Listed on the next page are the seven most essential areas for improvements in the State programs for low and moderate income households, as indicated by the research that led to this report. Beyond this list, a great variety of other improvements are being considered, some of which are already being effected, based on the new data and insights that are now available to the Department

Program Mix for State-Assisted Housing

The State, with its limited fiscal resources, cannot be expected to finance increases in subsidized housing programs at an annual rate greater than 5,000 to 6,000 units that has been reached in the last few years. However, the commitments of



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additional housing units among the several State subsidy programs should be budgeted each year to reflect changing market conditions and changing Federal subsidy programs, so as to bring about an overall mix of types of housing assistance that responds to the mix of housing needs in each part of the Commonwealth. For the budget of fiscal year 1975, and the foreseeable future beyond 1975, the program mix should depart from that of prior years, as follows:

- ...shift toward family housing, with less of a predominance of units for elderly households than has occurred in recent years.
 - ...shift toward rent or mortgage assistance, with less of a predominance of subsidy programs that are tied to the construction of new units.
 - ...continue a limited portion of moderate income commitments, with most of the units going to low income households, the former in order to assure that new developments will include a range of income levels reflecting low, moderate and market rents, and also to assure that the households that need just a limited amount of assistance will still be able to get it.
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Distribution of Assisted Units Throughout Each Region

Regional planning districts have now been established by State legislation for each of the nine metropolitan areas in the Commonwealth (taking Fall River and New Bedford as one area), and for the four other areas that are predominantly rural. The locations of additional housing units committed for subsidies within each of those thirteen districts should respond to the regional housing plans that have been developed in conjunction with the responsible regional planning agency. The plans should indicate which communities, or which groups of communities that comprise distinct market areas, should be given priority for whatever amounts of new housing subsidies are available for that district each year. Like the statewide budgets, the regional plans should be updated annually.

Special State Funding for Rehabilitation

Any of the subsidy programs designed to finance new construction can also be adapted to the rehabilitation of older, existing units that may be acquired by the developer. In practice this has proved feasible only for multi-family buildings, and even then has never been more than a small fraction of the numbers of newly constructed units that are financed by housing subsidy programs each year. The financing agencies--HUD, MHFA and this Department--should continue to devote the extra administrative staff effort that is almost always required for rehabilitation of older units under a subsidy program. However, a wholly new kind of subsidy program is needed to lend State support to the rehabilitation of one, two and three family homes. Some very effective rehabilita-

tion programs have been financed in the past through the Federal urban renewal programs, but these have been halted in response to changes in national priorities. Massachusetts, with an estimated 45 percent of its substandard units in 1970 having a potential for rehabilitation, should now develop its own mechanisms of State aid for rehabilitation of the smaller, owner-occupied residential buildings.

Tighter Control of Construction Costs

Inflation of construction costs, coupled with the padding of budgets to accommodate the complex public bidding requirements of the State, has pushed construction costs for State-financed housing to unreasonable levels, especially for smaller structures. Private builders meanwhile have developed cost control measures that can save many thousands of dollars per unit over what is possible under the existing public bidding statute. Federal programs for construction of public housing are exempt from the State public bidding statutes, and have taken advantage of these cost-control measures through "turn-key" contracting. The turn-key legislation that is now before the General Court should be passed in 1974, to exempt State-financed housing as well, to permit maximum effectiveness of the very limited amount of new subsidy funds that the State can afford each year.

Assistance to Cities and Towns for Providing Services

Low and moderate income households place higher-than-average levels of demands upon municipal services, particularly when they are families with children, who will be making up a larger part of State housing assistance programs in the future. Under present

formulas these demands weigh heavily on the municipal budgets, to the degree that municipal fiscal capacity must be considered as one of the location factors in the regional housing plans mentioned above. A shift of most of these costs off of the municipal budget and onto the State budget would have at least two benefits:

1) funds for people-oriented services in areas such as education, health and recreation, can be raised more fairly and effectively through income taxes; and 2) cities and towns presently find that their legitimate objective of holding down taxes is in direct conflict with the public interest in additional subsidized housing units, providing incentives to discourage the latter in all types of municipal decisions, especially zoning. This is a major obstacle to the State interest in more widely dispersed housing opportunities for low and moderate income families. To begin the shift toward State funding for services, the State should at least make full payments in lieu of taxes to each municipality for its subsidized family housing units, rather than the \$36.00 per year that is presently authorized. Millions of dollars would be required each year, but could be considered as part of the local aid funding of the State.

Inter-agency Coordination on Housing Commitments

Compared with the kinds of information assembled in this study, or expected to result from regional planning processes now underway, the decisions on commitments of housing subsidy funds to individual cities or towns or developers have been made in a relative vacuum in the past. The Department of Community Affairs has already established its own inter-office Housing

Project Review Committee, with representatives invited from HUD, MHFA, and the regional planning agencies of the districts affected, to assure that individual new commitments are consistent with the latest regional plans and funding commitments of the other housing finance agencies.

This is intended as a precedent for a more general communication among these agencies to coordinate work on new applications and field work, as well as financial funding decisions. The Department supports the objective of a common information system among all of the public agencies to track the progress and condition of each housing development, from initial conception to completion and on into management, as a basic tool for inter-agency coordination.

Amendment of Local "Fair Share" for State Housing Appeals

Chapter 774 of the Acts of 1969 provides that cities and towns are expected to respond to the regional need for low or moderate income housing in their areas unless such housing already comprises over 10 percent of their housing stock or three percent of their land area. Otherwise a developer may appeal a local denial of a permit to the State Housing Appeals Committee. However, the regional need for housing in at least the nine metropolitan regions is overwhelming, in relation to any single city or town, and the two arbitrary percentages therefore become de facto, the State plan for the distribution of subsidized housing among the cities and towns. The research underlying this report has now quantified regional need to which each city and town should respond. The figures vary widely around the state-wide averages of ^{6.6} percent for the overall

increase in standard housing units needed, through new construction or rehabilitation, plus an additional 16.2 per cent of all households needing subsidies so that they may afford the adequate housing that is available in the private market. Furthermore, regional housing planning is now underway in many parts of the Commonwealth to adjust even these more studied figures to reflect detailed local conditions and the priorities of the regional growth plans. The Department supports the legislation which is already under consideration by the General Court to change the provisions of Chapter 774 of 1969 that exempt cities and towns from further low or moderate income housing as a result of housing appeals, from the present arbitrary percentages to a unique set of figures for each locality that reflects the latest State and regional housing plans.

TABLE 7. LOW & MODERATE INCOME HOUSG. NEED AND EFFORT, APRIL 1970 and JANUARY 1974, BY AGE OF HOUSEHOLD HEAD AND SUPPLY VS. DEMAND PGMS., FOR CITIES AND TOWNS IN EACH REGIONAL PLANNING DISTRICT.

DISTRICT NO: State Totals (Sheet 1 of 1)		Locality	Total	Metropolitan Cities	Other Urban	Rural Towns
Total Year-Round Units, All Income Levels, April 1970			1,829,683	954,265	586,372	289,046
HOUSING EFFORT		TOTAL	137,968	106,384	22,658	8,926
TO DATE, JAN. '74		Counted Total	120,849	93,179	20,536	7,134
JAN. '74		under Ch. 774 1970 Units	6.60	9.76	3.50	2.47
HOUSING NEED, LOW AND MOD. INCOME, APRIL '70 - TOTAL			468,542	287,778	115,488	65,276
NET HOUSING EFFORT, APRIL '70-JAN. '74 - TOTAL			64,033	45,121	12,487	6,425
ELIMINATED BY SUB-TOTAL			20,510	11,465	6,119	2,926
Supply/ Rehab. or New Constr.			19,118	10,250	5,987	2,881
Demand Rent or Mortg. Ast'ce			1,392	1,215	132	45
Income Low Income			18,564	10,005	5,684	2,875
Split Moderate Income			1,946	1,460	435	51
FAR ABOVE EFFORT, SUB-TOTAL			43,523	33,656	6,368	3,499
Supply/ Rehab. or New Constr.			38,188	29,757	5,888	2,543
Demand Rent or Mortg. Ast'ce			5,335	3,899	480	956
Income Low Income			18,179	14,496	1,875	1,808
Split Moderate Income			25,344	19,160	4,493	1,691
NEW HOUSING NEEDED, LOW & MOD. INCOME, JAN. 1974 - TOTAL			410,814	246,636	105,084	59,094
ELIMINATED BY SUB-TOTAL			187,837	113,984	47,722	26,131
Supply/ Rehab. or New Constr.			54,515	36,291	11,929	6,295
Demand Rent or Mortg. Ast'ce			133,265	77,693	35,750	19,822
Income Low Income			163,041	100,017	40,571	22,453
Split Moderate Income			24,796	13,967	7,151	3,678
FAR ABOVE EFFORT, SUB-TOTAL			222,977	132,652	57,362	32,963
Supply/ Rehab. or New Constr.			38,894	11,598	17,166	10,130
Demand Rent or Mortg. Ast'ce			(1,000)	(0.820)	(1.375)	(1.274)
Income Low Income			177,815	117,079	38,257	22,479
Split Moderate Income			185,159	112,571	46,456	26,132
NET HOUSING NEED, LOW & MOD. INCOME, JAN. 1974 - TOTAL			37,818	20,081	10,906	6,831
ELIMINATED BY SUB-TOTAL						
Supply/ Rehab. or New Constr.						
Demand Rent or Mortg. Ast'ce						
Income Low Income						
Split Moderate Income						

and the excess is credited against the need for rent or mortgage assistance. However, where net effort in moderate income housing exceeds the need, the excess is not credited against need for low income housing. Therefore, where net moderate income need is zero, the remaining low income need may be larger than the net need is set at zero

For notes 1 and 2
See cover sheet

